

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – Second Regular Session

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HOUSE AD HOC COMMITTEE ON GOLD BONDS

11/8/16

Report of Interim Meeting
Thursday, November 3rd, 2016
House Hearing Room 5 -- 1:00 p.m.

Convened 1:02 p.m

Recessed

Reconvened

Adjourned 2:23 p.m..

Members Present

Mr. Joe Cobb
Mr. Larry Hilton
Ms. Peggy Smoot
Mr. Keith Weiner
Representative Mark Finchem, Chairman

Members Absent

Mr. Mark Ackroyd
Representative Diego Espinoza
Representative Jay Lawrence
Representative Darin Mitchell

Agenda

Original Agenda – Attachment 1

Presentations

Name

Organization

Attachments (Handouts)


Mr. Joe Cobb
Representative Mark
Finchem

2

3

4

Attendance



Renee Padilla, Chairman Assistant
Thursday, November 8th, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

1:02pm CONVENED.
2:23pm ADJOURNED

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterImCommittees.asp>

ARIZONA HOUSE OF REPRESENTATIVES

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

HOUSE AD HOC COMMITTEE ON GOLD BONDS

Date: Thursday, November 3, 2016

Time: 01:00 P.M.

Place: HHR 5

AGENDA

1. Call to Order
2. Introduction of new member
3. Presentation:
 - Mr. Joe Cobb, Financial Planning
4. Discussion on Gold Bonds
5. Public Testimony
6. Discussion on Future Legislation on Gold Bonds
7. Adjourn

Members:

Representative Mark Finchem, Chairman
Representative Diego Espinoza
Representative Jay Lawrence
Representative Darin Mitchell
William Stan Ackroyd

Joe Cobb
Larry Hilton
Peggy Smoot
Dr. Keith Weiner

11/1/16
JY

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**STATEMENT OF JOE COBB TO THE ARIZONA HOUSE COMMITTEE INVESTIGATING
THE POSSIBILITY OF ARIZONA STATE BONDS DENOMINATED IN WEIGHTS OF GOLD.**

November 3, 2016

My research in the past 40 years, and my avocation before that, is "monetary theory." I studied economics at the University of Chicago under Milton Friedman.

Today, you can ATTEMPT to plan for your retirement, and your financial planner can give you a calculation of the expected income from your investments in 25 years, or based on your life expectancy. Yet, what the numbers will show is "dollars" in the future.

What will the value of "the dollar" in year 2050 be?
How many McDonald's hamburgers will \$100 buy?
We do not know, and we cannot know.
The "Future Value" numbers for your retirement income
do not measure anything in the real world.

Many people believe it is just not "sensible" to try to plan to save or invest for the future in the financial markets, without something more "concrete" than the Federal Reserve's promise they desire to have a "stable price level" or, worse, a slow and steady "inflation" (which means the dollars in your retirement plan become smaller and smaller each year - fewer hamburgers in 2050). A specific weight of gold (troy ounce, kilogram) may also have changes in "exchange rate" with hamburgers, but it would not be imaginary.

Gold Bonds would be an attractive alternative for savers hoping for retirement. People want to be able TO TRUST their Arizona State Government. And they can. An Arizona Gold Bond promising to pay ongoing interest in gold-weight and to mature at a specific weight of gold would inspire even more confidence than gold coins in the backyard.

But can they trust the Federal Reserve System? Janet Yellen just delivered an interesting speech October 14, "Macroeconomic Research After the Crisis," at a conference at the Federal Reserve Bank of Boston explaining that they do not know. [<http://www.federalreserve.gov/newsevents/speech/yellen20161014a.htm> and <https://www.bostonfed.org/live> for a video of Chairman Yellen's presentation]

I am not a "conspiracy theory" person. I am a trained economist who used to supervise Monetary Policy for the Congressional Joint Economic Committee (staff director, 1990-91). I met with Alan Greenspan and knew the Secretary of the Treasury, Lloyd Bentsen, under President Clinton. I believe the US government to be stable, honorable, and trustworthy - and all future "dollar" payments will be made as guaranteed by the 14th Amendment.

Unfortunately, the Federal Reserve System has been assigned by Congress "to manage" the United States money supply, and they openly admit they DO NOT KNOW WHAT THEY ARE DOING. The Bank of Japan made the same confession last month.

Be it enacted by the Legislature of the State of Arizona:

SECTION I

Arizona Revised Statutes, Title 35 (Public Finances), Chapter 3 (Public Indebtedness), Article 2 (State Indebtedness Bonds) is amended by adding section 432 as follows:

§ 35-432. Surrender of state indebtedness bonds for specie Legal tender bonds; notice; record of bonds surrender; definitions

- A. THE STATE TREASURER IS AUTHORIZED TO ISSUE BONDS DENOMINATED AND PAYABLE IN SPECIE LEGAL TENDER FOR THE PURPOSE OF RETIRING OUTSTANDING STATE BONDS DENOMINATED AND PAYABLE IN NON-SPECIE LEGAL TENDER TO THE FULL EXTENT OF REASONABLY ANTICIPATED SPECIE LEGAL TENDER SEVERANCE TAX COLLECTIONS PURSUANT TO § 42-5202(D).
- B. THE STATE TREASURER SHALL ADVERTISE, IN THE SAME MANNER AS REQUIRED FOR BIDS FOR THE SALE OF STATE INDEBTEDNESS BONDS, STATING THE TERMS OF SURRENDER OF STATE INDEBTEDNESS BONDS FOR STATE SPECIE LEGAL TENDER BONDS, INCLUDING THE AMOUNT OFFERED, BOND EXCHANGE RATE, INTEREST RATE, MATURITY DATE, AND AMOUNT PAYABLE AT MATURITY. THE ADVERTISEMENT SHALL IDENTIFY EACH OF THE BONDS ELIGIBLE FOR SURRENDER, NAMING THEM BY NUMBER IN THE ORDER OF THEIR ISSUANCE.
- C. A COPY OF SUCH ADVERTISEMENT SHALL BE MAILED TO EACH BANK OR TRUST COMPANY AT WHICH THE INTEREST ON THE BONDS IS PAYABLE. IF THE BONDS NUMBERED IN THE ADVERTISEMENTS ARE NOT PRESENTED FOR SURRENDER AT THE EXPIRATION OF SUCH PUBLICATION, THE BONDS SHALL REMAIN IN THE TREASURY FOR SUBSEQUENT OFFERING AT NEW TERMS BASED UPON THEN PREVAILING MARKET CONDITIONS. SUCH BONDS SHALL DRAW NO INTEREST AFTER EXPIRATION OF THE PUBLICATION.
- D. BEFORE ISSUANCE OF STATE SPECIE LEGAL TENDER BONDS, THE SURRENDERED STATE INDEBTEDNESS BONDS SHALL BE PRESENTED TO THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, WHO SHALL ENDORSE ON EACH BOND THE AMOUNT OF STATE SPECIE LEGAL TENDER BONDS EXCHANGED THEREFOR, AND SHALL WRITE ACROSS THE FACE OF EACH BOND THE DATE OF ITS SURRENDER AND THE NAME OF THE PERSON SURRENDERING THE BOND.
- E. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL KEEP A RECORD OF ALL STATE SPECIE LEGAL TENDER BONDS ISSUED AND DISPOSED OF BY THE STATE TREASURER, SHOWING FOR EACH BOND THE NUMBER, RATE OF INTEREST, DATE, AMOUNT OF SALE, WHEN, WHERE AND TO WHOM PAYABLE, AND IF EXCHANGED, FOR WHAT, AND WHEN

PRESENTED FOR REDEMPTION THE DATE, AMOUNT DUE THEREON, AND PERSON SURRENDERING.

F. FOR PURPOSES OF THIS SECTION:

1. "LEGAL TENDER" MEANS AN AUTHORIZED MEDIUM OF EXCHANGE FOR THE PAYMENT OF DEBTS AND TAXES.
2. "SPECIE" MEANS COIN OR BULLION HAVING GOLD OR SILVER CONTENT, EXCEPT A NUMISMATIC COIN WITH A FAIR MARKET VALUE THAT IS AT LEAST FIFTY PERCENT GREATER THAN THE VALUE OF THE METAL IT CONTAINS.

SECTION II.

Arizona Revised Statutes, Title 42 (Taxation), Chapter 5 (Transaction Privilege and Affiliated Excise Taxes), Article 5 (Severance Tax) is amended by adding subsection D to section 5202 as follows:

§ 42-5202. Levy of tax

- A. There is levied on any severer, and the department shall collect, an excise tax, denominated as a severance tax.
- B. Except as provided in § 42-5203, the severance tax is in lieu of any other tax imposed upon the activities of mining and processing by article 1 of this chapter.¹
- C. The amount of the severance tax levied on a severer engaging in the business of mining shall be determined by multiplying the net severance base by two and one-half per cent.
- D. A SEVERER ENGAGING IN THE BUSINESS OF MINING GOLD OR SILVER SHALL REMIT TAXES DUE PURSUANT TO THIS SECTION IN KIND AS A PERCENTAGE OF THE GOLD OR SILVER DORE DERIVED FROM SUCH MINING OPERATIONS.

1:02 pm CONVENED
2:23 pm ADJOURNED

ARIZONA STATE LEGISLATURE
Fifty-second Legislature - Second Regular Session

INTERIM COMMITTEE ROLL CALL VOTE

COMMITTEE: House Ad Hoc Committee on Gold Bonds

DATE: November 3, 2016

MOTION: _____

CHAIRMAN Mark Finchem

VICE-CHAIRMAN MARK FINCHEM

	PASS	AYE	NAY	PRESENT	ABSENT
William Ackroyd/sub/					✓
Joe Cobb				✓	
Diego Espinoza					✓
Larry Hilton				✓	
Jay Lawrence					✓
Darin Mitchell					✓
Peggy Smoot				✓	
Keith Wiener				✓	
Mark Finchem, Chairman				✓	

APPROVED

COMMITTEE CHAIRMAN

R. Padilla

COMMITTEE SECRETARY

Attachment 4 —